LOS ANGELES COUNTY ISD

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To enrich lives through effective and caring service.

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To: Each Supervisor

From: Dave Lambertson
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Subject: **NEW ELECTRIC PRICE PROGRAM FOR THE SUMMER OF 2005**

This memorandum is to update your Board on an important, ongoing regulatory proceeding that may impact the County's electricity costs. The States' investor owned utilities have recently submitted a new price program to the California Public Utilities Commission (CPUC) for possible implementation by this summer. This proposal is called the Critical Peak Pricing (CPP) program. If adopted, medium and large customer rates would be significantly increased during critical supply-demand periods as an incentive to reduce electrical consumption.

The proceeding to finalize and adopt the programs is ongoing at the CPUC and the intended implementation date is June 1, 2005. Details of the CPP program proposal are described below.

Critical Peak Pricing Proposal

The CPUC, in an attempt to increase customer response to critical energy supply-demand situations, has ordered all three investor owned utilities to submit proposed programs to include higher prices for energy during critical periods. At a February 7, 2005 workshop, the utilities submitted individual program overviews and potential customer class impacts. The current, proposed impact to Southern California Edison's (SCE's) customers is as follows:

- Only accounts that use greater than 200 kilowatts (kW) will be impacted. These accounts represent around 75% of the County's billings in SCE territory.
- The "triggering event" for the new program rates will be an Independent System Operator (ISO) called day-ahead "alert;" the higher rates will be in effect the day after the "alert" notification.
- Critical period rates will be increased to $1.00 per kilowatt-hour. This is **5 to 7** times higher than SCE's current peak-period summer rates. The Utilities Budget will not be impacted in this magnitude, but slight increases are possible as described below.

- The new programs are intended to be "revenue neutral" to the utilities (i.e., revenues will be returned to customers). However, the rate programs will not be "revenue neutral" to each customer. That is because although the revenues received by the utilities from these higher rates are to be returned to customers, they are not returned to the specific customers who paid the higher rates. In theory, customers that "respond" to the "alerts" will receive overall bill reductions; those that do not "respond" will see overall bill increases.

- Customer accounts can pay a "premium" to mitigate the potential negative impacts of the CPP program. The "premium" applicable to most County accounts impacted by this program ranges from 4% to 6% of normal, summer peak-period rates.

At the time of the workshop, SCE was only able to provide "guesstimated" potential, financial impacts within their customer facility types and by rate group; no customer-specific impacts are available. The ranges of key, Customer Type impacts are shown below:

Customer Type	**Potential Impact Range**
Large Office Buildings	-20% to +6%
Medium Office Buildings	-26% to +4%
Small Office Buildings	-17% to +7%
Hospitals	-3% to +5%
"Campus" Facilities	-13% to +5%

These figures indicate SCE's initial prediction of the single, maximum bill reduction or increase that any one customer is expected to see under a variety of circumstances. There are many assumptions built into this very preliminary assessment and the figures will certainly change as the program is developed and implemented.

The average impact for each Customer Type is still expected to be close to 0%. We assume more customers will see the slight increases than will see the larger decreases but SCE has provided no figures on the numbers of customers and their individual impacts. The final impact of this proposed program on each customer depends on how they respond to the "alerts" and how other customers respond.

ISD Participation in the Critical Peak Pricing Proceeding

In addition to fully understanding potential financial impacts, ISD has several other concerns and questions related to the new program proposals. We are concerned that the summer of 2005 may be too soon to implement such a complicated and new rate structure. Additionally, implementing the CPP program so soon does not provide enough time for customers to understand its impact and implement programs to respond to the alerts. More importantly, the types of facilities that the County uses (e.g., hospitals, jails, etc.) are not amenable to short-term reductions in electricity usage.

The CPUC regulatory proceeding schedule is extremely tight in order to support a June 1, 2005 implementation date. ISD plans to participate in the proceeding on behalf of the County in hearings that are scheduled the week of February 28, 2005. ISD will also submit briefs and reply briefs beginning March 14, 2005. In order to minimize expenses, ISD will participate in the proceeding as part of a customer coalition organized by outside counsel; this is the same customer coalition ISD joined with to intervene in the most recent SCE General Rate Case proceeding.

If you have any questions, please contact me or contact our Energy Division Manager, Howard Choy, at (323) 881-3939.

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c: Chief Administrative Officer
Each ISD Board Deputy
Each Department Head